



# Washington State Auditor's Office

## Dual Financial Opinions for Cash Basis Local Governments

In September 2013 we notified all local governments reporting on cash basis of accounting of two changes affecting the look of future State Auditor's Office audit reports on financial statements. Both changes were required by standards used in the United States for audits of local governments. Our auditors are required to follow these standards when auditing and issuing reports on financial statements. Additionally, we communicated these changes through local government association conferences and our newsletter [Audit Connection](#).

Local governments may prepare financial statements using the cash basis method of accounting, which is allowed by the State Auditor's Office in the [Budgeting, Accounting and Reporting System Manual \(BARS\)](#), and in accounting manuals published jointly by our Office and the Superintendent of Public Instruction for school and educational service districts. Our audit reports will continue to have a standard paragraph issuing an opinion on those financial statements.

In addition to this opinion, standards issued by the American Institute of Certified Public Accountants (AICPA) require the State Auditor's Office to formally acknowledge when government entities do not prepare their financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

As a result, beginning with audits of fiscal year 2013, reports for local governments using a non-GAAP accounting method will include a second opinion. This additional opinion will be on the fair presentation of the statements in accordance with GAAP requirements. If the statements are not prepared using GAAP, the Auditor's Office will issue an adverse or qualified opinion stating that fact, unless we can determine the financial accounting and statement presentation is not materially different from GAAP reporting. Again, the language related to the GAAP requirements included in the audit report is required by the AICPA and should not be interpreted to mean the amounts presented in financial statements are incorrect or misstated for the basis of accounting used.

Each section of the audit report also will now have clarifying headings. These headings identify the purpose of each section, with the goal of making the report easier to understand for the user.

The State Auditor's Office has contacted bond-rating agencies and noted they were not concerned that these reporting changes would affect bond ratings. In addition, our Office has contacted key media outlets to ensure that these changes to our reports will be interpreted appropriately.

Please feel free to contact the manager of your local audit team if you have any questions regarding the report format changes. In addition, Deputy Director of Communications [Adam Wilson](#) (360-902-0367) can assist you if you receive questions from the public and news media.